

**EXHIBIT F**  
[CORPORATE SURETY BOND]

# TENNESSEE REGULATORY AUTHORITY

## TENNESSEE TELECOMMUNICATIONS SERVICE PROVIDER'S SURETY BOND

Bond #: 104135378

*WHEREAS*, Jackson Energy Authority Telecommunications Division (the "Principal"), has applied to the Tennessee Regulatory Authority for authority to provide telecommunications services in the State of Tennessee; and

*WHEREAS*, under the provisions of Title 65, Chapter 4, Section 125(j) of the Tennessee Code Annotated, as amended, the Principal is required to file this bond in order to obtain such authority and to secure the payment of any monetary sanction imposed in any enforcement proceeding brought under Title 65 of the Tennessee Code Annotated or the Consumer Telemarketing Act of 1990 by or on behalf of the Tennessee Regulatory Authority (the "TRA"); and

*WHEREAS*, Travelers Casualty and Surety Company of America (the "Surety"), a corporation licensed to do business in the State of Tennessee and duly authorized by the Tennessee Commissioner of Insurance to engage in the surety business in this state pursuant to Title 56, Chapter 2 of the Tennessee Code Annotated, has agreed to issue this bond in order to permit the Principal to comply with the provisions of Title 65, Chapter 4, Section 125(j) of the Tennessee Code Annotated;

**NOW THEREFORE, BE IT KNOWN**, that we the Principal and the Surety are held and firmly bound to the STATE OF TENNESSEE, in accordance with the provisions of Tennessee Code Annotated, Title 65, Chapter 4, Section 125(j), in the full amount of twenty thousand dollars (\$20,000.00) lawful money of the United States of America to be used for the full and prompt payment of any monetary sanction imposed against the Principal, its representatives, successors or assigns, in any enforcement proceeding brought under Title 65 of Tennessee Code Annotated or the Consumer Telemarketing Act of 1990, by or on behalf of the TRA, for which obligation we bind ourselves, our representatives, successors and assigns, each jointly and severally, firmly and unequivocally by these presents.

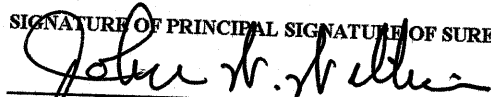
This bond shall become effective on the 10th day of July, 2003, and shall be continuous; provided, however, that each annual renewal period or portion thereof shall constitute a new bond term. Regardless of the number of years this bond may remain in force, the liability of the Surety shall not be cumulative, and the aggregate liability of the Surety for any and all claims, suits or actions under this bond shall not exceed Twenty Thousand Dollars (\$20,000.00). The Surety may cancel this bond by giving thirty (30) days written notice of such cancellation to the TRA and Principal by certified mail, it being understood that the Surety shall not be relieved of liability that may have accrued under this bond prior to the date of cancellation.

### PRINCIPAL

Jackson Energy Authority Telecommunications Division  
Name of Company authorized by the TRA

\_\_\_\_\_  
Company ID # as assigned by TRA

SIGNATURE OF PRINCIPAL SIGNATURE OF SURETY AGENT

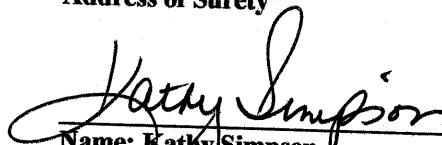


Name: John W. Williams  
Title: President & CEO

### SURETY

Travelers Casualty and Surety Company of America  
Name of Surety

2020 Overlook Blvd., Brentwood, TN 37027  
Address of Surety



Name: Kathy Simpson  
Title: Attorney-in-Fact

Address of Surety Agent:  
First South Financial Services  
23 Federal Drive, Jackson, TN 38305

**THIS BOND IS ISSUED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 125, CHAPTER 4, TITLE 65 OF THE TENNESSEE CODE ANNOTATED AS AMENDED BY CHAPTER NO. 586, 2000 PUBLIC ACTS. SHOULD THERE BE ANY CONFLICT WITH THE TERMS HEREOF AND THE STATUTE OR REGULATIONS PROMULGATED THEREUNDER, THE STATUTE OR REGULATIONS SHALL PREVAIL. (POWER OF ATTORNEY FROM AN APPROVED INSURANCE COMPANY MUST BE ATTACHED.)**

## ACKNOWLEDGMENT OF PRINCIPAL

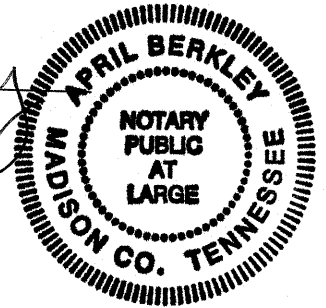
STATE OF TENNESSEE  
COUNTY OF MADISON

Before me, a Notary Public of the State and County aforesaid, personally appeared John W. Williams, with whom I am personally acquainted and who, upon oath, acknowledged himself to be the individual who executed the foregoing bond on behalf of Jackson Energy Authority, and he acknowledged to me that he executed the same.

WITNESS my hand and seal this 11th day of July, 2003

My Commission Expires:  
September 18, 2005

April Berkley  
Notary Public



## ACKNOWLEDGMENT OF SURETY

STATE OF TENNESSEE  
COUNTY OF Williamson

Before me, a Notary Public of the State and County aforesaid, personally appeared Kathy Simpson, with whom I am personally acquainted and who, upon oath, acknowledged himself to be the individual who executed the foregoing bond on behalf of Travelers Casualty and Surety Company of America, the within named Surety, a corporation licensed to do business in the State of Tennessee and duly authorized by the Tennessee Commissioner of Insurance to engage in the surety business in this state pursuant to Title 56, Chapter 2 of the Tennessee Code Annotated, and that he as such an individual being authorized to do so, executed the foregoing bond, by signing the name of the corporation by himself and as such individual.

WITNESS my hand and seal this day 10th of July, 2003.

My Commission Expires:

November 29, 2003

Evelyn P. Green  
Notary Public - Evelyn P. Green

## APPROVAL AND INDORSEMENT

This is to certify that I have examined the foregoing bond and found the same to be sufficient and in conformity to law, that the sureties on the same are good and worth the penalty thereof, and that the same has been filed with the Tennessee Regulatory Authority, State of Tennessee, this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

\_\_\_\_\_  
Name:  
Title:



## IMPORTANT DISCLOSURE NOTICE OF TERRORISM INSURANCE COVERAGE

On November 26, 2002, President Bush signed into law the Terrorism Risk Insurance Act of 2002 (the "Act"). The Act establishes a short-term program under which the Federal Government will share in the payment of covered losses caused by certain acts of international terrorism. We are providing you with this notice to inform you of the key features of the Act, and to let you know what effect, if any, the Act will have on your premium.

Under the Act, insurers are required to provide coverage for certain losses caused by international acts of terrorism as defined in the Act. The Act further provides that the Federal Government will pay a share of such losses. Specifically, the Federal Government will pay 90% of the amount of covered losses caused by certain acts of terrorism which is in excess of Travelers' statutorily established deductible for that year. The Act also caps the amount of terrorism-related losses for which the Federal Government or an insurer can be responsible at \$100,000,000.00, provided that the insurer has met its deductible.

Please note that passage of the Act does not result in any change in coverage under the attached policy or bond (or the policy or bond being quoted). Please also note that no separate additional premium charge has been made for the terrorism coverage required by the Act. The premium charge that is allocable to such coverage is inseparable from and imbedded in your overall premium, and is no more than one percent of your premium.

**TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA  
TRAVELERS CASUALTY AND SURETY COMPANY  
FARMINGTON CASUALTY COMPANY  
Hartford, Connecticut 06183-9062**

**POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT**

**KNOW ALL PERSONS BY THESE PRESENTS, THAT TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY,** corporations duly organized under the laws of the State of Connecticut, and having their principal offices in the City of Hartford, County of Hartford, State of Connecticut, (hereinafter the "Companies") hath made, constituted and appointed, and do by these presents make, constitute and appoint: **Ross Fisher, Mark S. Horton, Evelyn P. Green, Vickie Morgan, Kathy Simpson, June W. Hutchings, Kelly S. Clary, William W. Watkins, Kaleida Watson, Paul Sims, Tracy L. Weatherholt, Joy Hartsfield, Lori Engel, of Brentwood, Tennessee,** their true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, the following instrument(s): by his/her sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incident thereto and to bind the Companies, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of the Companies, and all the acts of said Attorney(s)-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following Standing Resolutions of said Companies, which Resolutions are now in full force and effect:

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her.

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary, or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority.

**This Power of Attorney and Certificate of Authority is signed and sealed by facsimile (mechanical or printed) under and by authority of the following Standing Resolution voted by the Boards of Directors of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, which Resolution is now in full force and effect:**

VOTED: That the signature of each of the following officers: President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

# **EXHIBIT G**

**[BIOGRAPHICAL INFORMATION – JEA MANAGEMENT TEAM]**

**EXHIBIT G**  
**BIOGRAPHICAL INFORMATION OF**  
**KEY MANAGEMENT PERSONNEL**

The following individuals below represent the key management team members of Jackson Energy Authority who will be involved with the JEA Telecommunications Division:

**John W. Williams**  
**President/CEO**  
**Jackson Energy Authority**

John W. Williams is President/CEO of the Jackson Energy Authority and has responsibility for the management of the Authority's electric, gas, water, and wastewater systems. The Jackson Energy Authority is a \$400 million dollar company that serves over 100,000 utility accounts in Jackson and the surrounding area. Mr. Williams is also President/CEO of The Tennergy Corporation. Tennergy is an energy acquisition corporation that secures gas supply for utilities and others in Tennessee, Kentucky, and Mississippi, as well as provides engineering, technical, and management services for its customers.

Mr. Williams has been President of Jackson Energy Authority (formerly the Jackson Utility Division) since March 1993. Prior to March, 1993, Mr. Williams served as its General Manager from April 1, 1990, and Assistant General Manager from July 1, 1988. Mr. Williams began his career with Jackson Energy Authority in 1964 as a cooperative engineering student in the Electric Division. Since that time, he has been employed as a Project Engineer and Chief Engineer in the Electric Division, except for a two-year period in 1975-77 when he was in private practice as a consulting engineer of electric power systems. Mr. Williams was Manager of the Gas System for approximately eleven years prior to 1988.

Mr. Williams is a graduate of the University of Tennessee (B.S., Electrical Engineering; M.S., Engineering Administration). He is a Registered Professional Engineer in the States of Tennessee and Georgia. Mr. Williams is very active in community affairs, serving as Chairman of the Jackson Area Chamber of Commerce Board of Directors and a member of Team Madison County, a community / government economic development team. He is a past president of Jackson Rotary Club and serves on the Board of Directors of Union Planters Bank and also on the Board of Trustees of Union University. He has held numerous leadership positions in various industry trade organization and received several industry achievement awards.

**Dana R. Wheeler**  
**Senior Vice President and Chief Financial Officer**  
**Jackson Energy Authority**

Dana (Danny) R. Wheeler currently serves as Senior Vice President and Chief Financial Officer of Jackson Energy Authority. He has also served as Senior Vice President of the Electric Division at Jackson Energy Authority (and its predecessor, Jackson Utility Division), a position he held from 1998 - 2003. Prior to this time, Mr. Wheeler served for two years as Vice President of Marketing and Business Development with Jackson Utility Division. From 1993 - 1996, he was employed with Allen & Hoshall Architects and Engineers in the Marketing and Business

## **EXHIBIT G**

### **Page 2**

Development Department. Prior to 1993, Mr. Wheeler was co-owner and President of a successful retail computer franchise, and from 1977 – 1985, he worked at Power and Telephone Supply as a sales engineer. Prior to 1977, Mr. Wheeler was a project engineer for Jackson Utility Division's electric system for six years.

Mr. Wheeler is a graduate of The University of Tennessee with a Bachelor's Degree in Science/Electrical Engineering. He also serves as a director of The Tennergy Corporation.

**Thomas E. Nanney**  
**Senior Vice President – Electric Division**  
**Jackson Energy Authority**

Thomas E. Nanney serves as Senior Vice President of the Electric Division at the Jackson Energy Authority. He has served in this capacity since April 2003 and has the responsibility for the operation and development of the Authority's electric system. Mr. Nanney previously has served as the Senior Vice President of Telecommunications, Vice President of Business Development, the Vice President of Engineering and the Vice President of Operations. He is a 1975 graduate of the University of Tennessee with a Bachelor of Science degree in Electrical Engineering and a 1988 graduate of the University of Memphis with a Masters of Business Administration degree in Management. Mr. Nanney is a Registered Professional Engineer in the State of Tennessee.

Mr. Nanney began his twenty-six plus years association with the Authority in 1971 as a cooperative engineering student. The Authority employed him in 1977 as a Project Engineer following two years of employment with the Tennessee Valley Authority. Mr. Nanney has served on the Tennessee Valley Public Power Association Research and Development Committee, serving as its Chair for one year. He is a Certified Power Executive through the Tennessee Valley Public Power Association. He has served on the American Public Power Association's Transmission & Distribution Committee since 1989, serving as Chair for two years. He has served as the Chair of the American Public Power Association's Engineering & Operations Section. Mr. Nanney is a charter appointee of, and continues to serve on, the American Public Power Association's Industry Standards Committee whose responsibility is to review proposed changes to the National Electric Safety Code. This committee submits comments to the National Electric Safety Code as a part of the code change process on behalf of the association for the 2000+ public power systems in the United States. Mr. Nanney has also served on the American Public Power Association's Demonstration of Energy-Efficient Developments Board.

**Kim K. Kersey**  
**Senior Vice President – Telecommunications Division**  
**Jackson Energy Authority**

Mr. Kim K. Kersey, Senior Vice President – Telecommunications for Jackson Energy Authority, has been in the cable television industry since 1971, working in senior management positions for the past 21 years. Mr. Kersey was promoted to General Manager of the Teleprompter Cable TV system in Tuscaloosa, Alabama in 1980 and served in that capacity through subsequent owners



## **EXHIBIT G**

### **Page 3**

Group W Cable and Comcast Corporation until 1992. Mr. Kersey relocated to Jackson, TN to become Area General Manager for Cablevision Industries' 32,000 subscriber West Tennessee cable television operations. After Charter Communications acquired the West Tennessee properties in 1998, Mr. Kersey was promoted to Director of Operations for Charter's group of cable systems serving over 90,000 cable subscribers in West Tennessee and West Kentucky. In November 2001, Mr. Kersey left Charter to head up the Jackson Energy Authority's new cable television venture.

Throughout his career, Mr. Kersey has been directly involved in all facets of cable television operations, including general management, customer service, government relations, marketing, and construction management. He has served as two-term Board Chairman for both the Alabama and Tennessee Cable Television Associations, and is a member of the honorary Tower Club in the Southern Cable Television Association. He is active in local community activities, serving on the Jackson Chamber of Commerce Board of Directors and Executive Committee, as well as leadership positions in several local organizations. He holds a B.A. degree from Rhodes College in Memphis, TN.

#### **Darrell T. Pope**

##### **Telecommunications Project Manager**

##### **Jackson Energy Authority**

Mr. Darrell T. Pope has been with Jackson Energy Authority since May 2003 and has extensive experience in telecommunications plant construction and operations. Mr. Pope has worked with the Jackson, Tennessee cable television system since August 1983 during which time he held various technical management and supervisory positions involving coaxial and fiber optic cable engineering, construction, and maintenance. He is experienced in designing and building fiber networks as well as fiber splicing. Mr. Pope holds the National Cable Television Institute Master Technician certificate.

# **EXHIBIT H**

**[SMALL AND MINORITY-OWNED BUSINESS PLAN]**

**EXHIBIT H**  
**SMALL AND MINORITY OWNED**  
**TELECOMMUNICATIONS BUSINESS PROGRAM**

Pursuant to T.C.A. §65-5-212, as amended, Jackson Energy Authority ("JEA") submits this small and minority-owned Telecommunications business participation program (the "Program") along with its Application for a Certificate of Public Convenience and Necessity to provide competing intrastate and local exchange services in Tennessee.

**I. PURPOSE**

The purpose of T.C.A. §65-5-212 is to provide opportunities for small and minority-owned businesses to provide goods and services to Telecommunications service providers. JEA has an established and successful Local Small Business Diversity Program that encourages the growth of minority, women, and locally owned small businesses. An outline of this program is available on JEA's web site at [http://www.jaxenergy.com/about\\_us/diversity\\_program.php](http://www.jaxenergy.com/about_us/diversity_program.php), which includes a current list of all certified businesses in the Local Small Business Diversity Program. JEA is committed to the goals of T.C.A. §65-5-212 and is expanding its program to support the participation of small and minority-owned Telecommunications businesses in the Telecommunications industry. JEA will endeavor to provide opportunities for small and minority-owned Telecommunications businesses to compete for contracts and subcontracts for goods and services. As part of its procurement process, JEA will make efforts to identify and inform minority-owned and small businesses that are qualified and capable of providing goods and services to JEA of such opportunities. JEA'S representatives have already contacted the Department of Economic and Community Development, the administrator of the small and minority-owned Telecommunications assistance program, to obtain a list of qualified vendors. Moreover, JEA will seek to increase awareness of such opportunities so that companies not otherwise identified will have sufficient information to participate in the procurement process.

**II. DEFINITIONS**

As defined in T.C.A. §65-5-212.

*Minority-Owned Business* are at least fifty-one percent (51%) owned, operated and controlled. Minorities include: African Americans, Native Americans, Hispanic Americans, and Asian-Pacific Americans who are United States citizens.

*Women-Owned Businesses* are at least fifty-one percent (51%) owned, operated, and controlled by a female or group of females who are United States citizens.

*Local Small Businesses* are those located in Madison County, Tennessee that meet the DOT guidelines for their business or product category and are at least fifty-one percent (51%) owned, operated and controlled by a resident or residents of Madison County, Tennessee.

Minority, women, and locally owned small businesses must maintain an annual certification of their classification to participate in JEA's Local Small Business Diversity

## **EXHIBIT H**

### **Page 2**

Program. JEA accepts certification by the Uniform Certification Agency (UCA), currently housed in Memphis, TN for the West Tennessee area.

### **III. ADMINISTRATION**

JEA's Program is overseen and administered by the individual named below, hereinafter referred to as the Administrator, who is responsible for carrying out and promoting JEA's full efforts to provide equal opportunities for small and minority-owned businesses. The Administrator of the Program is:

Mr. Pete Johnson  
Jackson Energy Authority  
(731) 422-7441

The Administrator's responsibilities under JEA's expanded program will include:

- (1) Maintaining an updated Program in full compliance with §65-5-212 and the rules and orders of the Tennessee Regulatory Authority.
- (2) Establishing and developing policies and procedures necessary for the successful implementation of the Program
- (3) Preparing and submitting such forms as may be required by the Tennessee Regulatory Authority, including the filing of required annual updates.
- (4) Serving as the primary liaison to and cooperate with the Tennessee Regulatory Authority, other agencies of the State of Tennessee, and small and minority-owned businesses to locate and use qualified small and minority-owned businesses as defined in T.C.A. §65-5-212.
- (5) Searching for and developing opportunities to use small and minority-owned businesses and encouraging such businesses to participate in and bid on contracts and subcontracts.
- (6) Providing records and reports and cooperate in any authorized surveys as required by the Tennessee Regulatory Authority.
- (7) Establishing a record-keeping system to track qualified small and minority-owned businesses and efforts to use such businesses.
- (8) Providing information and educational activities to persons within JEA and training such persons to seek out, encourage, and promote the use of small and minority-owned businesses.

## **EXHIBIT H**

### **Page 3**

In performance of these duties, the Administrator will utilize a number of resources, including:

- Chambers of Commerce
- The Tennessee Department of Economic and Community Development
- The United States Department of Commerce
  - Small Business Administration
  - Office of Minority Business
- The National Minority Supplier Development Counsel
- The National Association of Women Business Owners
- The National Association of Minority Contractors
- Historically Black Colleges, Universities, and Minority Institutions

The efforts to promote and ensure equal opportunities for small and minority-owned businesses are primarily spelled out in the Administrator's duties above. Additional efforts to provide opportunities to small and minority-owned businesses will include offering, where appropriate and feasible, small and minority-owned businesses assistance with technical, insurance, bonding, licensing, production, and deadline requirements.

#### **IV. RECORDS AND COMPLIANCE REPORTS**

JEA will maintain records of qualified small and minority-owned business and efforts to use the goods and services of such businesses. In addition, JEA will maintain records of educational and training activities conducted or attended and of the internal procurement procedures adopted to support this program.

JEA will submit records and reports required by the Tennessee Regulatory Authority concerning the Program. Moreover, JEA will cooperate fully with any surveys and studies required by the Tennessee Regulatory Authority.

# **EXHIBIT I**

[ILEC NOTICE]

## NOTICE

The Jackson Energy Authority has filed an Application for a Certificate of Convenience and Necessity to provide certain services within Madison County, Tennessee. Copies of the Application can be obtained from the Tennessee Regulatory Authority.

I certify that a copy of this Notice has been served upon the following carriers via U.S. mail:

Ardmore Telephone Company, Inc.  
P.O. Box 549  
517 Ardmore Avenue  
Ardmore, Tennessee 38449

BellSouth  
333 Commerce Street  
Nashville, Tennessee 37201-3300

Century Telephone of Adamsville  
P.O. Box 405  
116 N. Oak Street  
Adamsville, Tennessee 38310

Century Telephone of Claiborne  
P.O. Box 100  
507 Main Street  
New Tazewell, Tennessee 37825

Century Telephone of Ooltewah-Collegedale, Inc.  
P.O. Box 782  
5616 Main Street  
Ooltewah, Tennessee 37363

Citizens Communications Company of Tennessee  
P.O. Box 770  
300 Bland Street  
Bluefield, West Virginia 24701

Citizens Communications Company  
of The Volunteer State  
P.O. Box 770  
300 Bland Street  
Bluefield, West Virginia 24701

Loretto Telephone Company, Inc.  
P.O. Box 130  
Loretto, Tennessee 38469

Millington Telephone Company, Inc.  
P.O. Box 429  
4880 Navy Road  
Millington, Tennessee 38083-0429

Sprint-United  
112 Sixth Street  
Bristol, Tennessee 37620

TDS Telecom-Concord Telephone Exchange, Inc.  
P.O. Box 22610  
701 Concord Road  
Knoxville, Tennessee 37933-0610

TDS Telecom-Humphreys County  
Telephone Company  
P.O. Box 552  
203 Long Street  
New Johnsonville, Tennessee 37134-0552

TDS Telecom-Tellico Telephone Company, Inc.  
P.O. Box 9  
102 Spence Street  
Tellico Plains, Tennessee 37385-0009

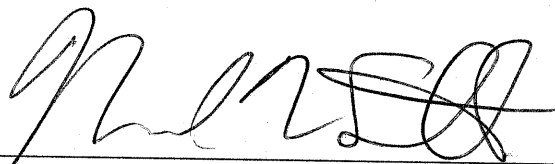
TEC-Crockett Telephone Company, Inc.  
P.O. Box 7  
Friendship, Tennessee 38034

TEC-People's Telephone Company, Inc.  
P.O. Box 310  
Erin, Tennessee 37061

TEC-West Tennessee Telephone Company, Inc.  
P.O. Box 10  
244 E. Main Street  
Bradford, Tennessee 38316

United Telephone Company  
P.O. Box 38  
120 Taylor Street  
Chapel Hill, Tennessee 37034

This 15th day of July, 2003.



For: Strang, Fletcher, Carriger, Walker,  
Hodge & Smith, PLLC



# **EXHIBIT J**

**[OPERATIONAL ISSUES]**

**EXHIBIT J**  
**TENNESSEE SPECIFIC OPERATIONAL ISSUES**

Please provide answers to the following questions concerning Tennessee Specific Operational Issues:

**Regarding Questions 1-4.** JEA will not directly offer voice grade services to end users but its CLEC Customers will be required to comply with T.C.A. § 65-21-114, countywide calling and other voice service billing issues.

**Question 5.** Please provide the name and telephone number of an employee of your company that will be responsible to work with the TRA on resolving customer complaints.

**RESPONSE:** Kim Kersey  
Senior Vice President of Telecommunications  
Jackson Energy Authority  
119 East College Street  
Jackson, Tennessee 38301  
Telephone: (731) 422-7500

**Question 6.** Does the company intend to telemarket its services in Tennessee? If yes, is the company aware of the telemarketing statutes and regulations found in TCA §65-4-401, *et seq.*, and Chapter 1220-4-11?

**RESPONSE:** JEA may telemarket its services in Tennessee. JEA is aware of the telemarketing statutes and regulations found in TCA §65-4-401, *et seq.*, and Chapter 1220-4-11, including the "Do Not Call" Register.

# **EXHIBIT K**

**[PRE-FILED TESTIMONY OF JOHN WILLIAMS AND DWIGHT WORK]**

BEFORE THE TENNESSEE REGULATORY AUTHORITY

IN RE:

APPLICATION OF JACKSON ENERGY :  
AUTHORITY FOR A CERTIFICATE OF :  
CONVENIENCE AND NECESSITY TO :  
PROVIDE TELECOMMUNICATIONS :  
SERVICES AS A CARRIERS' CARRIER :

Docket No. \_\_\_\_\_

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PRE-FILED DIRECT TESTIMONY  
OF  
JOHN W. WILLIAMS,  
PRESIDENT AND CHIEF EXECUTIVE OFFICER,  
JACKSON ENERGY AUTHORITY

---

1 I, John W. Williams, do hereby testify as follows in support of the Application of the Jackson  
2 Energy Authority ("JEA") for a Certificate of Convenience and Necessity as a Carriers' Carrier  
3 (the "Application") to provide certain telecommunication services in Madison County,  
4 Tennessee:

5  
6 **Q: PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

7 A: My name is John W. Williams. I am the President and Chief Executive Officer of the  
8 Jackson Energy Authority. JEA's principal office is located at 119 East College Street in  
9 Jackson, Tennessee.

10  
11 **Q: PLEASE BRIEFLY DESCRIBE YOUR DUTIES.**

12 A: As President and Chief Executive Officer, I have the responsibility for managing and  
13 overseeing all the operations of JEA, subject to the ultimate oversight of the JEA Board  
14 of Directors. JEA's operations presently include electric, gas, water and wastewater  
15 operations, and I will also be responsible for managing and overseeing JEA's  
16 telecommunications activities in the future.

17  
18 **Q: PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE AND EDUCATIONAL**  
19 **BACKGROUND.**

20 A: I am a graduate of the University of Tennessee with a B.S. degree in Electrical  
21 Engineering and a M.S. degree in Engineering Management. I am also a Registered  
22 Professional Engineer in the States of Tennessee and Georgia. Except for a two-year  
23 stint in private practice as a consulting engineer for electric power systems, I have spent

1 my entire career at Jackson Energy Authority and its predecessor organization. I began  
2 as a co-operative engineering student during college, and following graduation from  
3 college in 1969, I was employed as a Project Engineer. I was later promoted to Chief  
4 Engineer of JEA's Electric Department, and I later served as the Manager of JEA's Gas  
5 Department until 1988 when I became the Assistant Manager for the Authority. I was  
6 promoted to President and Chief Executive Officer in 1990, and I have held that position  
7 continuously since then.

8  
9 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A: The purpose of my testimony is to support JEA's Application for a Certificate of  
11 Convenience and Necessity to Provide Telecommunications Services as a Carriers'  
12 Carrier. In my testimony, I will provide the TRA with background information regarding  
13 JEA. Because appropriate cost allocation procedures have been a primary regulatory  
14 concern in prior TRA proceedings involving public power systems, I will provide  
15 background information concerning the present structure of JEA's four utility divisions,  
16 and I will then address the steps JEA has taken and will take in order to implement  
17 appropriate cost allocation procedures for its new Telecommunications Division. I will  
18 then address JEA's Application in greater detail in order to show that JEA meets all  
19 applicable requirements for certification, and I will conclude with testimony showing that  
20 granting JEA's Application is in the public interest.

21  
22 **Q. PLEASE DESCRIBE JEA.**

1 A. JEA is a governmental utility authority created by the Tennessee General Assembly by  
2 Chapter 55 of the Private Acts of 2001 (the "JEA Charter"). JEA is the successor to the  
3 Jackson Utility Division of the City of Jackson, Tennessee, which was originally created  
4 in 1959. JEA provides electric, gas, water and wastewater services to approximately  
5 38,000 homes businesses and industries in Jackson, Tennessee and in adjacent areas of  
6 Madison County, Tennessee.  
7

8 **Q: PLEASE DESCRIBE THE STRUCTURE OF JEA.**

9 A: JEA presently has four operating divisions: Electric, Gas, Water and Wastewater. As  
10 illustrated in Exhibit A to the Application, JEA has a Senior Vice President fully  
11 responsible for the operation of each of those divisions. Group Vice Presidents, who  
12 report directly to the Senior Vice Presidents, are responsible for the functional duties of  
13 the divisions such as engineering, operations, customer service, finance and accounting,  
14 and so forth. The four operating divisions date back to the Jackson Utility Division, and  
15 Section 4 of the JEA Charter provides for the continuation of these separate operating  
16 divisions. In addition to these Divisions, in Section 4 of the JEA Charter, the Tennessee  
17 General Assembly authorized a separate Telecommunications Division, also managed by  
18 a Senior Vice President, to provide telecommunications services and to construct plant  
19 for the provision of these services. Section 2(20) of the JEA Charter broadly defines  
20 "telecommunications service" to include "telephone, cable television, voice, data, and  
21 video transmissions, video programming, Internet access and related services," along  
22 with other similar services. JEA will provide the services described in JEA's Application  
23 through the Telecommunications Division, and JEA will provide other services such as

1 cable television and Internet access service through the Telecommunications Division as  
2 well.

3  
4 **Q: PLEASE DESCRIBE THE STRUCTURE OF JEA'S PRESENT OPERATING**  
5 **DIVISIONS FROM AN ACCOUNTING AND COST ALLCOATION**  
6 **STANDPOINT.**

7 A: Prior to the formation of JEA, the Jackson Utility Division operated as a multi-division  
8 utility company, providing electric, gas, water and wastewater services to customers in  
9 Jackson, Tennessee and in surrounding parts of Madison County. From its formation in  
10 1959 and until 1990, Jackson Utility Division operated as one company, but each of the  
11 utility divisions operated independently of the others for the most part. For example,  
12 each utility division had its own group of division specific employees, its own operating  
13 center, its own vehicles, and its own warehouses. There were a few shared functions,  
14 such as customer service and billing, and these parts of the Jackson Utility Division  
15 shared common employees and equipment.

16  
17 When I became President and Chief Executive Officer in 1990, one of my first projects  
18 was to begin consolidating the divisions into a functional organization that expanded the  
19 sharing of staff, facilities and equipment across similar operational functions. The goal  
20 of these efforts was to achieve greater operating efficiency, while also maintaining the  
21 financial separation and independence of each division. As a result of this process, all  
22 divisions now share common functional groups of employees who perform the daily  
23 operations of JEA. These functional groups include customer service, finance,



1 distribution, engineering, human resources, business development, information systems,  
2 and operations. Costs are accumulated for each division based upon directly assignable  
3 costs and through the allocation of shared costs based upon activities performed for the  
4 benefit of the specific division. All other common operating expenses, such as office  
5 space, vehicles, and insurance, are allocated based upon established allocation formulas.  
6 On a monthly basis, JEA tracks revenues and expenses for each division, and JEA  
7 generates monthly financial statements showing the financial position of each Division  
8 independent of the others.

9  
10 The present structure of JEA permits each division to operate as a separate company from  
11 a financial standpoint, while also avoiding unnecessary duplications of resources. This  
12 structure has helped JEA hold its rates stable for the past several years, even though  
13 operating costs in the various utility sectors have risen sharply.

14  
15 **Q: PLEASE DESCRIBE THE STRUCTURE OF JEA'S TELECOMMUNICATIONS**  
16 **DIVISION FROM AN ACCOUNTING AND COST ALLOCATION**  
17 **STANDPOINT.**

18 **A:** JEA formed the Telecommunications Division to achieve organizational and accounting  
19 separation for our other utility divisions. The Telecommunications Division will have  
20 three distinct business units within it for cable television, Internet access, and telephone  
21 service. The telephone business unit, however, will have no fixed assets and no  
22 employees directly assigned to it. Operating costs will be allocated to it according to our  
23 Cost Allocation Manual, and we expect those allocated costs to be minimal. The main

1 purpose of the telephone business units will be to receive access fee revenue from  
2 contract CLEC affiliates and to transfer available cash to the cable unit for bond debt  
3 retirement.

4  
5 **Q: HAS JEA MODIFIED ITS EXISTING ACCOUNTING AND COST ALLO-**  
6 **CATION METHODS TO ACCOMMODATE THE TELECOMMUNICATIONS**  
7 **DIVISION?**

8 A. Yes. The incorporation of the new Telecommunications Division into our cost  
9 allocation practices gave us the opportunity to review and update our overall  
10 allocation procedures and automate our allocation process. Where our staff had been  
11 manually allocating expenses on invoices based on prescribed allocation factors, we  
12 are now applying department allocation codes to account numbers that will enable our  
13 accounting software to automatically assign expenses to the appropriate business unit  
14 departments as invoices are processed. The automated allocation code table will be  
15 reviewed annually and updated as necessary.

16  
17 **Q: TURNING NOW TO THE APPLICATION, ARE ALL THE STATEMENTS IN**  
18 **JEA'S APPLICATION TRUE AND CORRECT TO THE BEST OF YOUR**  
19 **KNOWLEDGE, INFORMATION AND BELIEF?**

20 A: Yes.

21  
22 **Q: PLEASE DESCRIBE THE NETWORK THAT JEA INTENDS TO CONSTRUCT.**

1 A: As indicated in the Application, JEA intends to build a fiber optic network with a fiber to  
2 the home network architecture throughout its service area in Jackson, Tennessee and  
3 surrounding parts of Madison County. A fiber to the home system is sometimes  
4 shortened to "FTTH" and is sometimes called "fiber to the business" or "FTTB" for  
5 business configurations. Simply put, a fiber to the home architecture is one that provides  
6 end to end fiber optic connectivity to each residential, commercial and industrial user  
7 located on the network. Upon completion, this network will consist of an approximately  
8 658 mile all-fiber optic network designed and manufactured by Wave7 Optics that relies  
9 fundamentally on an Internet Protocol over gigabit Ethernet architecture. This  
10 architecture will provide JEA the capability to deliver, cost-effectively, 500 Mbps of  
11 symmetrical bandwidth to individual subscribers using a single fiber.

12  
13  
14 **Q: PLEASE DESCRIBE HOW JEA WILL USE ITS FIBER TO THE HOME**  
15 **NETWORK.**

16 A: JEA intends to use this network to provide cable television service directly to end use  
17 customers and Internet access service either directly to end use customers, or together  
18 with one or more Internet service providers. While the network will have the capability  
19 of supporting telephone and data service, JEA does not intend to offer these services  
20 directly to end use customers. Instead, JEA intends to enter into contractual  
21 arrangements with multiple CLECs that will, in turn, provide telephone and data service  
22 using the JEA fiber optic network. JEA will provide for the installation and maintenance  
23 of subscriber specific infrastructure, such as customer gateways to the Network.

1  
2 **Q: PLEASE DESCRIBE THE AUTHORITY THAT JEA SEEKS IN THE**  
3 **APPLICATION.**

4 A: In the Application, JEA has asked that the TRA grant JEA a certificate of convenience  
5 and necessity to provide telecommunications services as a carriers' carrier to TRA-  
6 jurisdictional competitive local exchange carriers (or "CLECs"). Additionally, while the  
7 CLECs will not be required to purchase these services from JEA, JEA intends to offer its  
8 CLEC customers the following services: (i) billing and customer records management;  
9 (ii) payment collection at various payment locations of JEA; (iii) customer sales services  
10 and/or locations at various locations of JEA; (iv) inclusion of the CLECs' services under  
11 the JEA brand umbrella, including inclusion in JEA's general marketing and advertising;  
12 (v) customer service and help desk support for the CLECs' end use customers.  
13

14 **Q: DOES JEA POSSESS THE REQUISITE MANAGERIAL, FINANCIAL, AND**  
15 **TECHNICAL ABILITIES TO PROVIDE THE SERVICES FOR WHICH IT HAS**  
16 **APPLIED FOR AUTHORITY?**

17 A: Yes.  
18

19 **Q: PLEASE DESCRIBE JEA'S FINANCIAL QUALIFICATIONS.**

20 A: JEA has the financial qualifications necessary to provide wholesale services as a carriers'  
21 carrier. Because of the unique technical capabilities of JEA's fiber-based system, nearly  
22 all capital expenditures and most operating expenses will fall under JEA's Cable Division  
23 of its Telecommunications Division, and JEA's Telephony Division will have minimal

1 capital requirements, other than for its on-going working capital needs. The JEA Board  
2 of Directors adopted bond resolutions authorizing the issuance of up to sixty million  
3 dollars (\$60,000,000) of bonds to provide for the construction of the Network and  
4 operating expenses during the start-up period of JEA's cable and Internet operations. To  
5 provide for provide for the required working capital and capital expenditures for its  
6 carriers' carrier operations, JEA has obtained a line of credit in the amount of One  
7 million dollars (\$1,000,000.00) from Union Planters Bank, N.A. in the form attached as  
8 **Exhibit E** to the Application.

9  
10  
11 **Q: PLEASE DESCRIBE JEA'S MANAGERIAL AND TECHNICAL**  
12 **QUALIFICATIONS.**

13 A: JEA has the managerial and technical qualifications necessary to provide wholesale  
14 services as a carriers' carrier. As indicated in the Application, the members of JEA's  
15 senior management team have extensive managerial and technical expertise in the  
16 provision of facilities-based utility services. One member of the senior management  
17 team has extensive experience the cable television, Internet and broadband services  
18 sector, and another member of JEA's management team has substantial experience with  
19 fiber optic cable engineering, construction, and maintenance. **Exhibit G** to the  
20 Application details the management and technical expertise of JEA's management team  
21 and demonstrates JEA's managerial and technical expertise to provide the applied for  
22 services.

1 **Q: DOES JEA PLAN TO OFFER TELECOMMUNICATIONS SERVICES IN**  
2 **AREAS SERVED BY ANY INCUMBENT LOCAL EXCHANGE TELEPHONE**  
3 **COMPANY WITH FEWER THAN 100,000 TOTAL ACCESS LINES?**

4 A. No, the service area in JEA's Application is limited to Madison County, Tennessee. To  
5 the best of my knowledge, BellSouth is the incumbent local exchange carrier throughout  
6 Madison County.

7  
8 **Q: DOES JEA INTEND TO COMPLY WITH ALL TRA RULES, STATUTES, AND**  
9 **ORDERS PERTAINING TO THE PROVISION OF TELECOMMUNICATIONS**  
10 **SERVICES IN TENNESSEE, INCLUDING THOSE FOR DISCONNECTION**  
11 **AND RECONNECTION OF SERVICE?**

12 A: Yes, to the extent that those obligations apply to JEA's wholesale provisioning of  
13 telecommunications service to its CLEC Customers, JEA intends to fully comply. For all  
14 other obligations, JEA's CLEC customers will be responsible for complying with all  
15 TRA rules, statutes and orders pertaining to the provision of telecommunications services  
16 to end users.

17  
18 **Q: HAS ANY STATE EVER DENIED JEA OR ONE OF ITS AFFILIATES**  
19 **AUTHORIZATION TO PROVIDE INTRASTATE SERVICE?**

20 A: No. JEA is not providing telecommunications services in any other state and, therefore,  
21 has not been subject to complaints of any other states. JEA does not have any affiliates  
22 that provide telecommunications services.

1 **Q: HAS ANY STATE EVER REVOKED THE CERTIFICATION OF JEA OR ONE**  
2 **OF ITS AFFILIATES?**

3 A: No.

4  
5 **Q: HAS JEA OR ONE OF ITS AFFILIATES EVER BEEN INVESTIGATED OR**  
6 **SANCTIONED BY ANY REGULATORY AUTHORITY FOR SERVICE OR**  
7 **BILLING IRREGULARITIES?**

8 A: No.

9  
10 **Q: WHO IS KNOWLEDGEABLE ABOUT JEA'S OPERATIONS AND WILL**  
11 **SERVE AS JEA'S REGULATORY AND CUSTOMER SERVICE CONTACT?**

12 A. Mr. Kim Kersey, Senior Vice President of Telecommunications, will serve as JEA's  
13 regulatory contact with the TRA for any matters involving operations or customer service  
14 issues. Mr. Dana R. Wheeler, Senior Vice President and Chief Financial Officer, will  
15 serve as JEA's regulatory contact with the TRA for any matters involving financial or  
16 accounting issues.

17  
18 **Q: PLEASE EXPLAIN IN DETAIL JEA'S PROPOSED PROCEDURES FOR**  
19 **RESPONDING TO INFORMATION REQUESTS FROM THE TRA AND ITS**  
20 **STAFF.**

21 A. Both Mr. Kersey and Mr. Wheeler are aware of the need for timely and accurate  
22 responses to data requests and other requests from the TRA and its staff. For matters  
23 involving operations or customer service issues, Mr. Kersey will be responsible for

1 coordinating the preparation of responses and for submitting those responses in a timely  
2 manner. For matters involving financial or accounting issues, Mr. Wheeler will be  
3 responsible for coordinating the preparation of responses and for submitting those  
4 responses in a timely manner.

5  
6 **Q: WILL THE GRANTING OF A CERTIFICATE OF CONVENIENCE AND**  
7 **NECESSITY TO JEA SERVE THE PUBLIC INTEREST?**

8 A. I believe very strongly that the granting of JEA's application will serve the public interest  
9 in several important ways. First, JEA's network will provide true facilities-based  
10 competition throughout the JEA service area, including true facilities-based competition  
11 for the residential as well as business customers in this area. Second, because the JEA  
12 network will be open to multiple CLECs, the system should provide a platform for  
13 competition in and around Jackson, Tennessee for the participating CLECs. Third,  
14 because the JEA network will make available end to end fiber optic connections to these  
15 residential and business customers, the network will solve the "last mile" problem that  
16 has historically hindered the development of new bandwidth intensive services in the  
17 telecommunications sector. Each of these factors will contribute towards the goals of the  
18 TRA and the Tennessee General Assembly to expand the availability of competitive  
19 services in Tennessee. The TRA's approval of the Application should further serve the  
20 public interest by allowing additional service offerings, higher quality service, lower cost  
21 service, or some combination of these competitive market benefits. Additionally, JEA's  
22 deployment of a fiber to the home infrastructure will be one of the largest deployments –  
23 if not the largest deployment – of this technology in the entire country, and I believe that



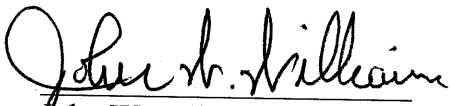
1           this will give JEA and the City of Jackson an advantage in our efforts to recruit new  
2           businesses and better-paying jobs to our community.

3

4   **Q:   DOES THIS CONCLUDE YOUR TESTIMONY?**

5   **A:   Yes.**

I swear that the foregoing testimony is true and correct to the best of my knowledge, information and belief.



John W. Williams  
President and Chief Executive Officer  
Jackson Energy Authority

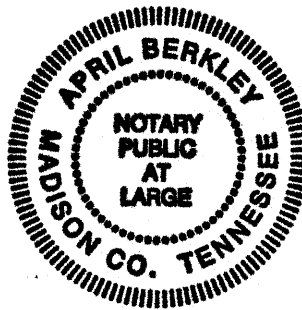
Subscribed and sworn to me this 11<sup>th</sup> day of July, 2003.



Notary Public

State of Tennessee

County of Madison



My commission expires \_\_\_\_\_ MY COMMISSION EXPIRES SEPT. 18, 2005

Before the

TENNESSEE REGULATORY AUTHORITY

IN RE: APPLICATION OF JACKSON ENERGY AUTHORITY FOR A  
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO  
PROVIDE TELECOMMUNICATIONS SERVICES AS A CARRIERS'  
CARRIER

DOCKET NO. \_\_\_\_\_

DIRECT TESTIMONY AND EXHIBITS  
OF  
DWIGHT S. WORK

JUNE 30, 2003

1     **Q.     Please state your name and business address.**

2     A.     My name is Dwight Work. My business address is 206 Capitol Boulevard, Nashville,  
3             Tennessee 37219-1801.

4     **Q.     What is your occupation?**

5     A.     I am Director of Utility Consulting Services for Work & Greer, PC, a certified public  
6             accounting firm.

7     **Q.     What degrees and licenses do you hold?**

8     A.     I received a Bachelor of Science degree from Austin Peay State University in 1967 with a  
9             major in mathematics. I received a Master of Arts degree from Austin Peay State  
10            University in 1970 with a major in mathematics. I am a Certified Public Accountant  
11            licensed to practice in the states of Kentucky and Tennessee.

12    **Q.     Please describe your professional experience.**

13    A.     I was a financial analyst with the Accounting Division of the Tennessee Public Service  
14            Commission from August 1974 through July 1975. I was Assistant Director of the  
15            Accounting Division of the Tennessee Public Service Commission from July 1975  
16            through May 1980. I testified for the staff on a variety of issues involving every utility  
17            industry regulated by the Tennessee Public Service Commission during that time-frame.

18            Since leaving the Commission in 1980, I have been employed by Work & Greer, PC as  
19            Director of Utility Consulting Services. In this capacity, I provide consulting services to  
20            regulated and non-regulated utilities in the electric distribution, natural gas distribution,  
21            telecommunications, water distribution, and wastewater distribution industries.

22            I have presented testimony before the Kentucky Public Service Commission, the Illinois  
23            Commerce Commission, the Indiana Utility Regulatory Commission, the Tennessee

1 Regulatory Authority, and the Virginia State Corporation Commission. I have also  
2 presented testimony on utility issues before the Chancery Court of Davidson County and  
3 the Chancery Court of Dickson County.

4 I write a newsletter for our firm discussing current issues affecting utilities that is mailed to  
5 our utility contacts and clients. I have spoken at conventions and meetings of the  
6 American Public Gas Association, the Kentucky Gas Association, the Tennessee  
7 Association of Utility Districts, and the Tennessee Gas Association. I have presented  
8 seminars on utility issues for utility management groups of the same associations and for  
9 clients.

10 **Q. On whose behalf are you testifying in this proceeding?**

11 A. I am testifying on behalf of Jackson Energy Authority ("JEA").

12 **Q. What is the purpose of your testimony in this docket?**

13 A. JEA asked me to review their current allocation procedures, suggest changes, and  
14 develop a Cost Allocation Manual ("CAM") for them. I will testify about the allocation  
15 procedures and the CAM.

16 **Q. Please describe the goals of cost allocation.**

17 A. Allocation methodology is not an exact science. So the goal of an allocation methodology  
18 is not to guarantee a perfect allocation among divisions or business units. Instead the  
19 goals are to: (1) help ensure just and reasonable rates for the ratepayers of the regulated  
20 divisions; (2) prevent or limit, to the extent possible, any cross-subsidization between the  
21 regulated services and the non-regulated services; and, (3) minimize the time and  
22 expense necessary to record and audit the transactions.

23 **Q. Do I understand correctly that JEA already had allocation procedures in place?**

1 A. Yes, they did. Every electric distributor that is a multi-service utility and buys its electricity  
2 from the Tennessee Valley Authority ("TVA") must have allocation procedures. This is a  
3 requirement of the TVA contract.

4 JEA is a distributor of electricity, natural gas, water, and wastewater. So, JEA has  
5 allocated costs to these four divisions since its inception.

6 **Q. Did JEA have a Cost Allocation Manual?**

7 A. No, they did not have a written manual similar to the manual provided in this proceeding.

8 **Q. Does JEA now have a Cost Allocation Manual?**

9 A. Yes, it does. I worked with JEA's senior management team and the finance staff to  
10 develop the cost allocation manual attached as Collective Exhibit C to JEA's Application.

11 **Q. What is the purpose of the Cost Allocation Manual?**

12 A. The Cost Allocation Manual has several purposes. It provides general principles and  
13 specific procedures for the allocation of costs among the divisions of JEA. It contains  
14 rules on how JEA will price services sold or transferred within its divisions. It contains a  
15 Code of Conduct. Finally, it contains the reporting requirements for verifying that the  
16 manual is followed.

17 **Q. What are the general principles that are followed in the Cost Allocation Manual?**

18 A. The primary principle is that the Telecommunications Division should not be subsidized  
19 by the customers of JEA's electric, natural gas, water, and wastewater divisions that  
20 provide monopoly service. This principle complies with regulatory theory and principles,  
21 and with the private act that created JEA.

22 **Q. How does the Cost Allocation Manual comply with the private act of JEA?**

1 A. Section 4, paragraph 7, of the private act requires that the Telecommunications Division  
2 be "operated as a separate system independent of, and separate from, the other utility  
3 systems of the authority".

4 **Q. How does the Cost Allocation Manual comply with regulatory theory and**  
5 **principles?**

6 A. We believe that the cost allocation manual complies with the applicable concepts of the  
7 cost allocation rules of the Federal Communications Commission ("FCC") published at  
8 Title 47, Part 64, Section 901 of the Code of Federal Regulations. The cost allocation  
9 manual also complies with the concepts of the Guidelines for Cost Allocations and  
10 Affiliate Transactions adopted by resolution at the 1999 summer meeting of the National  
11 Association of Regulatory Utility Commissioners ("NARUC"). In both of these  
12 publications, the details of the allocation methodology are left to the affected companies  
13 to develop.

14 Finally, we believe that the cost allocation manual complies with the concepts approved  
15 by the Tennessee Regulatory Authority in Docket No. 97-07488 related to allocation of  
16 costs and transactions with affiliates.

17 **Q. Please summarize the specific procedures for the allocation of costs under the**  
18 **Cost Allocation Manual.**

19 A. JEA has approximately 375 employees. Of this number approximately 230 of them  
20 directly assign their time and other costs to the existing divisions using timesheets. Of the  
21 remaining number, approximately 20 are directly assigned to a specific division. For  
22 example, the time and costs associated with the Senior Vice President of the Electric  
23 Division are directly assigned to the Electric Division. Allocation methods are developed  
24 to assign the time and costs of the remaining employees that cannot be assigned to a  
25 specific division.

1 JEA uses cost centers to assign employees work activities and other costs. Within each  
2 cost center are department codes. Each department code has its own allocation method.  
3 The allocation method is based on the factor that best describes the cost driver for that  
4 department.

5 Our goal was to develop a fair and reasonable methodology for the current divisions.  
6 Once this is in place, the methodology should flow to the telecommunications division  
7 and associated business units.

8 **Q. The Telecommunications Division has three business units, does it not?**

9 A. Yes, it does. The three business units are: cable, telephone, and internet.

10 **Q. The Tennessee Regulatory Authority is primarily concerned with allocations to the**  
11 **telephone business unit. What will be the impact on this business unit?**

12 A. Because of JEA's business model, the telephone business unit is essentially a shell  
13 entity. It will have no fixed assets; it will have no employees; and, it will have few  
14 customers. The costs allocated to this business unit will be minimal.

15 **Q. If JEA later expands the scope of its telephone business unit, will the Cost**  
16 **Allocation Manual provide procedures to properly allocate costs to the telephone**  
17 **business unit?**

18 A. Yes, it will. For example, if JEA were to acquire telephone-specific capital assets or were  
19 to utilize employees of JEA for telephone-specific work activities, the Cost Allocation  
20 Manual would provide procedures to properly account for those costs.

21 **Q. What is the purpose of the affiliate transaction rules in the Cost Allocation Manual?**

22 A. Affiliate transaction rules are designed to prevent one related entity from benefiting from  
23 the sale or transfer of assets, goods, or services to another related entity. Generally, if an

1       asset, good, or service is subject to a tariff or to a prevailing price offered to the public,  
2       the sale or transfer is recorded in the appropriate accounts at the tariff rate or the  
3       prevailing price. If a good or service is transferred among affiliates, the transfer rate is  
4       fully distributed cost. If an asset is transferred or sold among regulated divisions, the  
5       transfer or sale is recorded at net book value. If an asset is transferred or sold from a  
6       regulated affiliate to a nonregulated affiliate, the transaction is recorded at the higher of  
7       net book value or estimated fair market value. If an asset is transferred or sold from a  
8       nonregulated affiliate to a regulated affiliate, the transaction is recorded at the lower of  
9       net book value or estimated fair market value.

10    **Q.       Does this conclude your testimony?**

11    **A.       Yes, it does.**



AFFIDAVIT

I, Dwight S. Work, do hereby affirm that the foregoing testimony and attached exhibits are true and correct to the best of my knowledge and belief.

Dwight S. Work

Sworn to and subscribed before me

This 15 day of July, 2003

Melinda Elrod

NOTARY PUBLIC

My commission expires on: July 26, 2003